

Mr. Chairman and Members of the Committee:

Allow me to express our support for House Bill 6537 as an incremental step that provides greater transparency and fairness to the process of school district selection of employee medical insurance plans. Wise and effective use of resources is needed to help ensure taxpayers obtain the best value while providing school employees access to quality, affordable options.

The Michigan Education Special Services Association, known as MESSA, has benefited from its close affiliation with the Michigan Education Association, the state's largest teachers union, to gain favorable status and unfair advantage. Based on extensive school district information requests we have done, MESSA premiums typically cost 10 to 12 percent more than their competitors. It isn't clear how much of the extra funds underwrite the MEA and how much covers additional medical expenses of its beneficiaries. Prior reforms have helped to make the playing field somewhat more level and to contain growing insurance costs, but the time has come to revisit the process and make further improvements.

In 2011, the Legislature approved two key changes. First, the creation of the Publicly Funded Health Insurance Contribution Act placed limits on the taxpayer obligation to cover the costs of rising medical insurance plans. School districts now can pay either an established "hard cap" or no more than 80 percent of the total premium costs. This reform reduced districts' real per-pupil spending on employee insurance by 24 percent over three years. However, the trend has reversed since 2014, wiping out nearly half the savings by 2017, a year in which school districts spent nearly \$1.6 Billion on insurance benefits.

Also in 2011, the Legislature enhanced a 2006 law that requires MESSA to release more claims history data, so that potential competitors could make reasonable bids. Even so, other insurers frequently still are unable to access detailed enough data in a timely manner to make informed pricing estimates. When the legislation was passed, roughly 80 percent of school districts subscribed to MESSA policies. While there have been some districts that have changed providers in the meantime, today 80 percent of districts are still on MESSA.

It is not clear whether and to what extent this legislation will help alleviate the returning trend of rising insurance costs by encouraging more districts to shop for better deals. Nothing in the legislation inherently changes the underlying incentives so that district leaders are more likely to choose the most cost-effective insurance options. But HB 6537 should at least help ensure that competing insurers have what is needed to make well-informed and timely bids. A more transparent process should help the public to see how dollars could be better spent to benefit the education of students instead of third-party groups with competing interests.

Thank you for your time and consideration.

Regards,

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